

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (2/4)
BUTTER: Grade AA closed at \$1.6400. The weekly average for Grade AA is \$1.6308 (+.0791).

CHEESE: Barrels closed at \$1.4775 and blocks at \$1.4925. The weekly average for barrels is \$1.5445 (-.1660) and blocks, \$1.5845 (-.1645).

BUTTER: The butter market tone is firm. Cream offerings to churns across the country remain heavy. Churning activity is strong, although some producers indicate declines from recent peak levels. Fresh butter stocks are sufficient to meet demand with surplus clearing to inventory programs. Some producers and handlers are uncomfortable building inventories at current price levels, while others are proceeding forward with confidence. Retail and food service orders are seasonally fair. Some retailers are preparing promotions for the upcoming Easter/Passover holiday period.

CHEESE: The cash cheese market is weak. Cash cheese prices declined sharply (over 20 cents since 1/27) at the Chicago Mercantile Exchange over the past week. Demand is generally slow as buyers wait for cheese values to decline to current lower cash prices. Current production is about steady. Many plant operators are cutting back on spot milk purchases as sales slow and inventory accumulates. Others are considering shifting milk over to butter/powder production, reduce NDM fortifying, and increase skimming. CCC announced Invitation #019 to DSC1 seeking offers to purchase about 2,059,557 pounds of aged CCC-owned cheddar blocks. Offers are due February 14 with the public release of results scheduled for February 16.

FLUID MILK: Milk production is steady to higher across the Southwest. Weather conditions continue to impact output growth in New Mexico, but gains are noted across most of California. The southern producing areas of California are drying out from recent heavy rains and production is steady to higher. Milk is building in the Pacific Northwest as warmer weather develops. Concerns over higher hay prices are being expressed. Steady production levels in Utah and Idaho are coming into plants at average protein and fat levels. Midwestern production is steady with recent weeks as solids levels move slightly lower. Class 1 milk interest is steady to higher. In the Southeast, the milk flow is moving up at a slower pace. Ice storms disrupted transportation and created panic buying ahead of the fronts. The Northeastern milk supplies are building slightly following favorable weather. Fluid milk interest is good. Seasonal cream items are doing well and ice cream production varies.

DRY PRODUCTS: Direct exportation of nonfat dry milk continues to help clear current production. Sales and shipments are being made into March and April as the world supplies and exchange rates continue to create opportunities for U.S. suppliers to export. NDM prices are trending higher. Spot and contract loads are hard to secure for immediate shipment and some buyers are being quoted availability 2 to 3 weeks out. Supplies also remain tight in the resale trade. Production levels are steady to lower in some areas. Dry buttermilk spot sales were exceptionally active this week and volumes were heavy compared to recent months. Buyers were filling orders for domestic and export accounts. Whey prices are holding mostly steady. Supplies and demand have come in better balance following many weeks of price increases. Exporting continues but has leveled. Whey protein concentrate prices moved up and reflect the lack of current supplies in the marketplace. The sense that protein is tight is the factor as buyers seek to fill demand. Lactose prices are

steady and the market tone is holding. There are supplies available for lower mesh product.

CCC: During the week of January 31 - February 4, there was no price support activity.

CLASS AND COMPONENT PRICES (DAIRY PROGRAMS): The following are the January 2005 prices under the Federal Milk Order pricing system and the changes from the previous month: Class II \$13.04 (-\$.94), Class III \$14.14 (-\$.200), and Class IV \$12.52 (-\$.90). Product price averages used in computing Class prices are: butter \$1.5592, NDM \$0.8906, cheese \$1.5165, and dry whey \$0.2463. The Class II butterfat price is \$1.7400 and the Class III/IV butterfat price is \$1.7330. Further information may be found at:

www.ams.usda.gov/dyfmoms/mib/classprcacnmt.pdf

DAIRY FORWARD PRICING PROGRAM DATA (DAIRY PROGRAMS): USDA-AMS Dairy Programs has continued to collect data concerning the Dairy Forward Pricing Program since submission of the report *A Study of the Dairy Forward Pilot Program and Its Effect on Prices Paid Producers for Milk*, October 2002. The study period for that report ended in March 2002. Tables and figures for data covering the period from September 2000 through June 2004 are now available at the website: www.ams.usda.gov/dairyfor_contr_pilot.htm. Information for the period July 2004 through December 2004 is expected to be available in July 2005. The program ended December 31, 2004.

JANUARY 1 MILK COW INVENTORY SUMMARY (NASS): The number of milk cows in the United States as of January 1, 2005, totaled 9.01 million head, up slightly from January 1, 2004. Milk cow replacement heifers totaled 4.13 million head, up 3% from January 1, 2004, and the largest crop since 1993. The number of milk cow replacement heifers per 100 milk cows on January 1, 2005, was 45.9, up from 44.7 on January 1, 2004. The ratio is the highest since at least 1980. Milk cow replacement heifers expected to calve during the year totaled 2.83 million head, up 3% from January 1, 2004.

JANUARY AGRICULTURAL PRICES HIGHLIGHTS (NASS): The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in January 2005 advanced 1 point to 134. Compared with January 2004, the index was up 4 points (3.1%). The index of prices received by farmers for dairy products declined 4 points during the month of January 2005 to 122. Compared with January 2004, the index was up 21 points (20.8%). Prices received by farmers in January 2005 with changes from December 2004 were: for All Milk, \$15.90, down \$.50; for Fluid Grade Milk, \$15.90, down \$.50; and for Manufacturing Grade Milk, \$14.70, down \$1.30.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, ANNUAL HIGHLIGHTS (DAIRY PROGRAMS): During 2004, about 103.0 billion pounds of milk were received from producers. This volume of milk is 4.1% lower than the 2003 volume on a comparable market basis. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -.06%.) About 44.9 billion pounds of producer milk were used in Class I products, 0.5% lower than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2004 as compared to 2003. The all-market average Class utilization percentages were: Class I = 44%, Class II = 14%, Class III = 30%, and Class IV = 12%. The weighted average statistical uniform price was \$15.78, \$3.61 higher than last year on a comparable market basis.

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**CHICAGO MERCANTILE EXCHANGE
 CASH TRADING**

PRODUCT	MONDAY JANUARY 31	TUESDAY FEBRUARY 1	WEDNESDAY FEBRUARY 2	THURSDAY FEBRUARY 3	FRIDAY FEBRUARY 4	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.6900 (N.C.)	\$1.5950 (-.0950)	\$1.4800 (-.1150)	\$1.4800 (N.C.)	\$1.4775 (-.0025)	(-.2125)	\$1.5445 (-.1660)
40# BLOCKS	\$1.7150 (N.C.)	\$1.6400 (-.0750)	\$1.5375 (-.1025)	\$1.5375 (N.C.)	\$1.4925 (-.0450)	(-.2225)	\$1.5845 (-.1645)
BUTTER GRADE AA	\$1.6025 (+.0475)	----	\$1.6500 (+.0475)	----	\$1.6400 (-.0100)	(+.0850)	\$1.6308 (+.0791)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM NOTE: CME NDM on Page 2.

CHICAGO MERCANTILE EXCHANGE

MONDAY, JANUARY 31, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER — SALES: 7 CARS GRADE AA: 3 @ \$1.6000, 4 @ \$1.6025; BIDS UNFILLED: 9 CARS GRADE AA: 1 @ \$1.6025, 2 @ \$1.6000, 2 @ \$1.5950, 1 @ \$1.5800, 1 @ \$1.5750, 1 @ \$1.5700, 1 @ \$1.5600; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.6500

TUESDAY, FEBRUARY 1, 2005

CHEESE — SALES: 1 CAR BARRELS @ \$1.6700; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS BARRELS: 1 @ \$1.5950, 1 @ \$1.6800, 1 @ \$1.6900; 2 CARS 40# BLOCKS: 1 @ \$1.6400, 1 @ \$1.6600

WEDNESDAY, FEBRUARY 2, 2005

CHEESE — SALES: 1 CAR BARRELS @ \$1.4800; 3 CARS 40# BLOCKS: 2 @ \$1.5500, 1 @ \$1.5400; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.5450; 1 CAR 40# BLOCKS @ \$1.5375

BUTTER — SALES: 8 CARS GRADE AA: 1 @ \$1.6375, 2 @ \$1.6400, 5 @ \$1.6500; BIDS UNFILLED: 6 CARS GRADE AA: 1 @ \$1.6400, 1 @ \$1.6300, 1 @ \$1.6275, 1 @ \$1.6250, 1 @ \$1.6100, 1 @ \$1.6075; OFFERS UNCOVERED: 2 CARS GRADE AA @ \$1.7000

THURSDAY, FEBRUARY 3, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: 2 CARS 40# BLOCKS @ \$1.4500; OFFERS UNCOVERED: NONE

FRIDAY, FEBRUARY 4, 2005

CHEESE — SALES: 4 CARS BARRELS: 3 @ \$1.4825, 1 @ \$1.4850; 5 CARS 40# BLOCKS: 2 @ \$1.5200, 1 @ \$1.5000, 1 @ \$1.4975, 1 @ \$1.4950; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.4200; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.4775; 1 CAR 40# BLOCKS @ \$1.4925

BUTTER — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 4 CARS GRADE AA @ \$1.6400

CME CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.9325 and Grade A at \$0.9800. (The last price change occurred February 4th.) The weekly average for Extra Grade is \$0.9325 and Grade A is \$0.9685.**BUTTER MARKETS****NORTHEAST**

The butter market is a little firmer. The cash butter price at the CME jumped nearly five cents in Monday's (1/31) trading. Some contacts felt this was the correct move, while others, in light of the heavy volumes of excess cream, expected some price weakness. Eastern butter makers are operating at near capacity levels and some balancing plants are making butter as cream is offered to them. Those that wish to store some butter for future needs would rather have butter prices a little weaker at this time of ample cream. Demand for butter is mixed, mostly fair. Retail orders were good as retailers restock their shelves after the prior week's storm-induced sales. Bulk sales are steady to occasionally improved. Food service orders/deliveries were back to normal following the big storm the previous weekend. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 5.5 cents over the CME price/average.

CENTRAL

The butter market tone is firm as the cash price at the CME has increased 10 cents in three consecutive trading sessions to \$1.6500 at midweek. Producers and handlers are questioning where is this market headed at this time. Cream supplies remain plentiful to Central churns from local and out of area sources, although some indicate that the offerings are not as heavy as recent weeks. Current production continues to outpace demand, thus surplus is entering inventory programs. Some producers and handlers are uncomfortable with storing butter

stocks for use later in the year at current price levels, while others are proceeding forward with confidence. Butter sales are fair. Some retail outlets are preparing for upcoming Easter/Passover feature activity. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Cash butter prices at the CME market bottomed out in this present cycle at \$1.5350 on December 27. Since that time prices have increased 11.5 cents to stand at \$1.65. Some contacts are surprised that prices are increasing when churning activity remains very heavy. In the West, churning is heaviest in California with most other states recording some decline from recent peak levels. Some sellers report that activity has improved and their inventory levels are declining. Others report heavier than desired stocks. Some are surprised that there is not some additional interest from ice cream accounts with prices somewhat reasonable. Milk production is increasing in some areas, but the upturn is far from uniform. CME weekly warehouse stocks increased by 5.7 million pounds last week to stand at 38.3 million pounds. The net increase in stocks over the last six weeks totals 33.0 million pounds compared to 27.9 million pounds last year. Last year at the end of week five, stocks stood at 83.7 million pounds. Bulk butter prices range from flat to 3 1/2 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
WEEK ENDING					
JANUARY 29	1.6044	1.5396	0.8957	1.5628	0.2487
	8,156,710	10,161,965	17,914,088	3,238,084	12,792,815

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are increasing and the market tone is steady at best. Some contacts are waiting to see what develops at the CME. Many expect prices to decline in the near future and buyers are waiting to see if the declines seen at Friday's (1/28) trading continue. Cheese output in the Northeast is holding at moderate levels. Cheddar makers continue to put up product for aging programs, but the current CME price for blocks is an issue. Other cheese makers continue to operate a little heavier than they did in December. That is due mostly to the Class III milk price changes. Distributors were very active last week getting their customers restocked after the big snow storm the previous weekend. Retail sales were good prior to the storm and store orders were up as they restocked shelves. Food service orders are good. Orders for this weekend are also good as Super Bowl Sunday is the number one snack food day of the year.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.8150-2.3300
Cheddar Single Daisies	:	1.7725-2.2475
Cheddar 40# Block	:	1.8900-2.1475
Process 5# Loaf	:	1.9200-2.1275
Process 5# Sliced	:	1.9400-2.1625
Muenster	:	1.9875-2.1900
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is weak. Barrel prices at the Chicago Mercantile Exchange started declining Wednesday (1/26) with blocks dropping on Friday 1/28 and continued this week with significant declines on Tuesday and Wednesday. These price drops were not totally unexpected by many industry contacts and may be a matter of how fast and how far prices will decline in this particular price cycle. Buyers are delaying orders, waiting for weekly prices to catch up after recent declines. Super Bowl needs have been shipped and demand is easing. Some forecasts have the expected February Class III price increasing from January despite declines in cheese prices. Cheese production is about steady.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.8900-2.0950
Brick And/Or Muenster 5#	:	2.0300-2.3025
Cheddar 40# Block	:	1.9300-2.2650
Monterey Jack 10#	:	2.1000-2.3425
Blue 5#	:	2.5975-2.7500
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.9400-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.3500-2.9500

WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	: CHEESE
	:	
01/31/05	23,421	: 125,090
01/01/05	12,599	: 124,064
CHANGE	10,822	: 1,026
% CHANGE	86	: 1

WEST

Cash cheese prices at the CME market began to show some weakness last week and that trend continues this week. Block cheese prices have declined 22 cents since the end of last week. Wholesale prices did increase slightly based on the averages catching up with previous increases, but that trend will turn around next week. Some buyers are taking a wait and see attitude until prices find a stable level. Others are increasing purchases because their inventories are depleted. Some contacts indicate that they will be "running the numbers" to see if any reallocation of milk supplies is appropriate with the changes in price relationship between butter and cheese. They will also be looking at if it makes sense to fortify the vat with powder or to skim the fat with current price relationships. Milk supplies at some operations are not at expected levels for this time of year. Not much promotion activity is noted on cheese at this time except for mozzarella going into the pizza trade. Swiss sales activity is categorized as fair for this time of year.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.8650-2.1225
Cheddar 40# Block	:	1.8700-2.2225
Cheddar 10# Cuts	:	2.0500-2.2700
Monterey Jack 10#	:	2.0600-2.2200
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

FOREIGN

Prices are unchanged to higher. The market tone is steady. Demand for foreign type cheese is easing from the traditional peak around the holidays. However, Super Bowl parties will likely have an influence on demand and consumption of some cheeses. Stocks are about adequate, but the continued weakness of the U.S. dollar does have an impact on purchases in producing countries. Reports indicate that cheese production in the EU-15 during the first nine months of 2004 totaled 5.025 million MT, 1.1% more than the same period last year. Also, cheese output in EU-15 during 2005 is projected to increase slightly, but that their improving internal demand may absorb all or most of the increased output. The export market is uncertain due to cuts in export refunds and the currency exchange rates from some countries.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

	:	NEW YORK
VARIETY	:	IMPORTED : DOMESTIC
	:	
Roquefort	:	TFEWR : -0-
Blue	:	2.6400-4.6900* : 2.1300-3.6300*
Gorgonzola	:	3.6900-5.9400 : 2.4900-2.6450*
Parmesan (Italy)	:	TFEWR : 3.5350-3.6500*
Romano (Italy)	:	2.1000-3.1500 : -0-
Provolone (Italy)	:	3.4400-6.0900* : 2.1425-2.3650*
Romano (Cows Milk)	:	-0- : 3.3250-5.4900*
Sardo Romano (Argentina)	:	2.8500-3.2900 : -0-
Reggianito (Argentina)	:	2.6900-3.2900 : -0-
Jarlsberg-(Brand)	:	2.9500-4.0900 : -0-
Swiss Cuts Switzerland	:	-0- : 2.4500-2.6500
Swiss Cuts Finnish	:	2.5900-2.8500 : -0-
Swiss Cuts Austrian	:	TFEWR : -0-
Edam	:	:
2 Pound	:	TFEWR : -0-
4 Pound	:	2.1900-3.5600* : -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	129	0	130	0	85
SOUTHEAST STATES	0	0	0	0	0	0

Milk production is steady to higher in most sections of the region. Some increases continue to be reported in the Southeast, but the gains noted the past few weeks seem to have slowed. The ice and snow storms that covered much of the Southeast last weekend may have contributed to the leveling of the milk flow. In the Northeast, mild winter weather is welcomed and the milk output is slowly starting to increase. Fluid milk supplies are still reported as tight for overall needs. Class I milk sales were good and pulling more milk away from manufacturing. The aforementioned ice storm in the Southeast did create some transportation difficulties in Georgia, Tennessee, Kentucky and the Carolinas. The storm prompted a round of panic buying in retail stores. Another storm this week is predicted and bottlers remain very busy. Farther north, Class I milk sales are steady at good levels. It was reported that a large part of Eastern Tennessee and surrounding states are experiencing an epidemic of an illness that is the flu or one with flu-like symptoms and the high absentee rates have forced many school districts to close schools. Some schools have been closed since late last week. This is impacting school lunch milk program orders. Surplus milk volumes remain lighter than desired in most locales. The condensed skim market is firming as supplies tighten and demand improves. With NDM stocks not as plentiful as they have been, cheese makers are looking for more Class III condensed skim despite the high prices. Prices are steady to higher. The fluid cream market remains weak and prices are fairly steady. Suppliers are surprised by how long this "down market" is lasting. There has been little change in the supply demand relationship of cream since the holidays and multiples are well below typical levels. Some users have contracted for a high percentage of their expected annual needs and find that they currently cannot take advantage of the low spot sale multiples. Ice cream makers report sluggish sales. Producers who normally use 4-6 spot loads a week are down to only one or two purchases this week. Cream cheese production is typically slow during January, but this year output seemed to be lighter than normal. Dips and sour cream output was up slightly to fill Super Bowl weekend needs, but have now slipped back to slow to moderate levels. Churning activity remains heavy and excess cream continues to clear to Midwestern butter makers.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.7845-1.9862
DELIVERED EQUIVALENT ATLANTA	-	1.7845-2.0482 M 1.8000-2.0017
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.9086-2.0172

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9800-1.0000
NORTHEAST- CLASS III - SPOT PRICES	- 1.0900-1.2500

M I D W E S T

Class I interest is steady to occasionally improved where retailers start to take advantage of lower February Class I prices and the usually stronger first of the month sales. Milk supplies are about in balance with demand. Cream demand improved from last week, aided by the boost in retail and food service orders for sour cream and dips for Super Bowl activities. Cream multiples also firmed up slightly as supplies are in better balance with demand. Ice cream production is steady to slightly heavier as producers build inventory for warmer weather. Manufacturing milk interest is sluggish. Recent sharp declines in cheese prices and the expected increase in Class III milk prices in February from January is expected to cause red ink on many sales of cheese manufactured in February. Reported spot manufacturing milk prices, on a light test are lower, ranging from a net of \$.50 to about \$1.00 over class. Milk intakes are about steady with recent

weeks. Milk components remain seasonally good, though often drifting lower. A January/February thaw was melting the snow cover. Concern continues over alfalfa and winter wheat and the affect of the ice on low and level fields. Whether or not to spread fertilize or use light tillage equipment or do nothing on impacted areas was in extension reports.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JAN 27 - FEB 2	PREVIOUS YEAR
SLAUGHTER COWS	\$ 50.00- 55.00	\$ 45.00- 51.00
REPLACEMENT HEIFER CALVES	\$300.00-540.00	\$270.00-430.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	JAN 27 - FEB 2	PREVIOUS YEAR
SLAUGHTER COWS	\$ 48.00- 58.50	\$ 47.00- 52.00

W E S T

The January 4a price (butter/powder) in CALIFORNIA is \$12.26, \$.71 higher December and \$1.51 more than last year. The January 4b price (cheese) is \$14.38, down 61 cents from December but \$3.28 higher than last year. CALIFORNIA milk output is slowly regaining the upward trend as weather conditions improve and help dry out past conditions. There are variations in milk needs. Some cheese plants want additional milk, while others want to decrease production and work down inventories. Fluid milk orders are mixed. Some bottlers are seeing good orders from retailers, while others are seeing declines. Schools and college needs have settled into normal ordering patterns. The southern milk producing areas are seeing milk intakes increases. Current weather is warm, dry and windy, which is improving lot conditions. Milk production continues to move higher in the Central Valley with weather being nearly ideal for this time of year. Plants are running at high levels to process the milk supplies. Milk output is steady to higher in the northern producing areas. Some local processing plants are taking some down days. NEW MEXICO milk supplies are holding mostly steady. Weather conditions were cooler and snow fell in the eastern and northern producing areas. No impact on transportation or milk pickups was noted. Milk is being shipped to regular accounts. Shipments to the Southeast were not impacted by their icy weather. Local fluid needs are steady. CREAM prices are steady to higher with some of the gain noted from higher basing prices for butter. The CME butter price increased 10 cents from last week to close at \$1.6500 on Wednesday, February 2nd. Demand for cream is improving slightly. Interest from ice cream and cheese producers is heavier than expected for the current market situation. Cream supplies remain heaviest in California with others states better balanced. Surplus loads are ending up at churning facilities. Cream multiples range from 109 to 124, FOB, and vary depending on basing points. Milk supplies in the PACIFIC NORTHWEST range from steady to slightly higher. Current weather conditions are warm and foggy. Reports are starting to come in from various snow measurement locations in the Cascades and the situation does not look good. Some sites are reporting zero snow pack and the summer irrigation season is becoming more questionable by the day. Reports also indicate that many hay growers are getting cleaned up on their hay supplies. Prices are also moving higher. Buyers from outside the region are becoming more numerous and quite a bit more aggressive in acquiring any hay stocks. Some contacts in the dairy regions of UTAH and IDAHO note that fat and protein tests are about average and didn't improve as much as noted some years. There has not been much of a cold snap that some seem to think is needed for improved solids in the milk flow. Overall output is about steady though some contacts note that perhaps more producers are moving around than has been the pattern in recent years. Some discussion is noted about whether the butter and cheese price relationships have moved enough to make different decisions on where milk should be processed. Heifer prices at a major sale in the region are sharply higher on heavy trading. The top animals hit \$2900 and the average for the top 50 is \$2150. Dairy expansion in the region is keeping demand for heifers strong.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are higher on a firm market. Supplies are generally tight for the good interest. However, with higher NDM prices and reduced cheese prices, some buyers are taking a second look at whether NDM in cheese manufacture remains valuable. NDM production is steady with producers generally meeting their contractual commitments. Some Central producers report that additional spot loads may not be available until May. Some buyers are seeking additional supplies from the West and finding available supplies limited in this region as well. CCC NDM from 2003 programs is being resold at the current market. Buttermilk trade is increasing as a substitute for the inadequate supplies of NDM. Condensed skim interest is good.

EAST: The market tone remains firm. Prices are mixed. Some producers increased asking prices because of their light output and good demand. However, the major supplier in the U.S. did adjust an energy surcharge lower for February, which offset this week's increase in their base price. Production levels are steady to lighter. Last weekend's ice and a predicted snow storm this week caused another flurry of panic buying at grocery stores. This pulled more milk into Class I channels and away from butter/powder plants. Powder stocks are light and it is common for buyers to have to wait several weeks to get their orders delivered. Even contracted loads are being delayed. One buyer had about 40% of their contracted loads delayed three weeks due to the lighter output. This condition leads some buyers/traders to think that prices exceeding a dollar are not too far away. This thinking is adding to the demand as buyers look to beat any additional price increases. Little "government program" powder is coming back on the market and prices for these resale loads are approaching \$.90. Resale loads of current production just below \$1.00 are becoming more common.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUMHEAT: .9075 - .9650 MOSTLY: .9075 - .9300
HIGHHEAT: .9450 - 1.0500

NONFAT DRY MILK - WEST

Western nonfat dry milk prices continue to trend higher. The market tone is firm. Direct export sales continue to be made for future delivery and producers are filling past export orders. Domestic customers are noting they have to schedule deliveries out several weeks to make certain that their scheduled loads are available. Supplies are tight from all producers, so there are limited options to secure additional loads on an as-needed basis. Offerings from resellers are tight with current offerings commanding higher premiums. The decline in cheese prices may have an effect on the volume of condensed skim and NDM used to fortify cheese vats. The extent so far is mixed with some cheese producers cutting back while others continue buying programs on schedule. Production trends are moving higher seasonally but are not always reflecting higher milk production trends directly as milk is going elsewhere. A year ago this week, the low/medium heat mostly price series ranged from \$.7950-.8100. High heat NDM prices in the West are moving slightly higher with the trading volumes remaining light. Seasonal demand is slowly developing with a few extra loads moving. Stocks are light and balanced to long for current needs. A year ago, high heat NDM prices ranged from \$.8300-.8500.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUMHEAT: .8900 - .9400 MOSTLY: .8950 - .9200
HIGHHEAT: .9200 - .9700

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
January 28	\$.8847	9,847,743	0
January 21	\$.8854	10,377,087	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are higher on a firm market. Buyers are realizing the limited availability of NDM in the market and searching for alternative substitutes such as buttermilk to fulfill orders. Trade during the week was heavy, encouraging some producers to clean out their stocks. Aged supplies of buttermilk are also moving well at prices within and below the range. Production is steady to lower as more condensed buttermilk clears into ice cream operations instead of dryers. Inventories are light with some buyers seeking additional supplies from the West at competitive prices.

F.O.B. CENTRAL: .9200 - .9700

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are steady to slightly lower and the market tone is unchanged. Northeastern prices remain nominal. There does seem to be more interest in dry buttermilk now that NDM availability has tightened. Eastern churning activity remains heavy and dry buttermilk production is moderate. Considerable volumes are sold as liquid and do not reach a dryer. Powder is in relatively good balance. With demand improving, the stocks of off grade powder that were available have been cleared. Reports indicate that sales to the export market have also improved.

F.O.B. NORTHEAST: .9100 - .9400
DELVD SOUTHEAST: .9500 - .9800

DRY BUTTERMILK - WEST

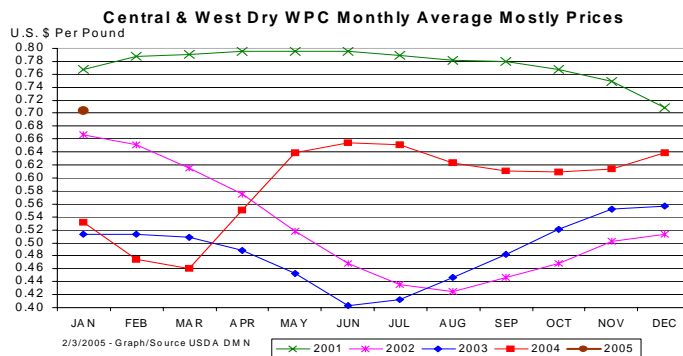
Dry buttermilk market activity in the West was sharply higher than in recent months as spot loads were trading at a brisk pace. The reasons for the increased activity differed from coverage for future needs, to taking positions, and even nonfat dry milk flooring the buttermilk price. Export interest also cleared several loads. The market prices were trading steady to slightly higher. Production levels remain active to process buttermilk solids available in the marketplace with continued strong churning. Producers' inventory positions are mostly light to moderate with limited pressure to move. Buttermilk prices were \$.8600 - .8900 for the mostly this week last year.

F.O.B. WEST: .8800 - .9400 MOSTLY: .9000 - .9200

DRY WHOLE MILK - NATIONAL

Prices are unchanged, but some movement higher and lower within the range was noted. The market tone is little changed. Production levels remain light and plant stocks are balanced. Demand is fair to good and mostly contractual. Prices remain nominal.

F.O.B. PRODUCING PLANT: 1.2800 - 1.4100



WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are unchanged on a steady market. Inquiries are light with the best interest reported for Grade A supplies. Offerings persist at standard levels. Some resellers are offering at premiums for the light interest. Movement is best on a contractual basis. The undertone for the upcoming months is uncertain with traders and buyers expecting the market to decrease in light of heavier cheese production whereas producers report the market as steady with balanced stocks and production.

F.O.B. CENTRAL: .2400 - .2500 MOSTLY: .2400 - .2450

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are steady and the market tone is unchanged. Current pricing has held for several weeks. This week, some producers did report that a few spot loads are available for sale, an uncommon situation from late last year when most were sold out. These spot loads are generally destined for regular customers. There are some plants that still report being sold out for the first quarter. Traders reported that they were busy, but overall market activity is quiet. Production levels are steady to heavier. A plant is getting back to normal operations after some equipment issues and another one is back on line after running some specialty product. Export interest remains quite good. Domestic demand is also good as users and traders speculate on the coming year's market and if it would be prudent to store some dry whey at this time.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2475 - .2650
DELVD SOUTHEAST: .2700 - .2825

DRY WHEY - WEST

Prices continue to hold steady for Western whey powder. Inventories are in balance with the current sales activity. Buyers are taking normal volumes of powder at regular intervals. Some end users are looking for cheaper substitutes, especially in the export trade. They are not all that successful. Some are indicating that European powder may be getting more competitive, but actual direct competition appears to be a ways off. Production levels in general are about steady. Some operations are a bit heavier, but those are balanced off with those seeing less production. The market appears to be steady with a firm undertone.

NONHYGROSCOPIC: .2450 - .2750 MOSTLY: .2550 - .2650

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged and nominal on a steady market. More supplies are available this week compared to the week prior. Trade is mostly noted at the average for the good interest. Early weaned pigs are trading steady to higher while veal markets trend steady at best.

F.O.B. CENTRAL:
MILK REPLACER: .2000 - .2200

Commencing Report 15 (April 8, 2005), Dairy Market News will be publishing a Dry Whey Permeate market. The pricing series will include an F.O.B. range for the Central and West region. Specifications are listed below.

Moisture content. Not more than 5 percent. Milkfat content. Not more than 1.5 percent. Protein content. Not less than 2 percent and not more than 6 percent. Lactose content. Not less than 70 percent. Ash content. Not more than 10 percent.

Commencing Report 15 (April 8, 2005), Dairy Market News will be reporting the Animal Feed Whey-Central Milk Replacer price series within the Dry Whey Central report. The Dry Whey Central Extra Grade price series will remain unchanged.

Comments regarding changes in Dairy Market News Reports can be directed to: Don Nelson, P.O. Box 8911, Madison, WI 53708
Email: DonaldO.Nelson@usda.gov

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to higher on a firm market. Most trade is occurring on the resale market at prices above the high side of the range. As prices continue to move higher, some buyers are expressing resistance and searching for alternative sources of protein. Food buyers are especially limited due to scant supplies of alternative Extra Grade dairy products. Some Canadian supplies of Extra Grade 34% WPC are being traded into the US through brokers at competitive prices. Feed buyers have found some resolve in purchasing off grade supplies of 80% and 34% WPC that is more readily available than the week prior. Some 34% WPC producers expect to remain sold out on supplies through second quarter. Traders suspect that overproduction of 80% WPC will eventually displace limited 34% WPC supplies, encouraging better 34% WPC availability.

F.O.B. EXTRA GRADE 34% PROTEIN: .7200 - .7600 MOSTLY: .7300 - .7500

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a steady market. Brand specific supplies tend to trade at the higher end of the range whereas supplies from lesser known sources and/or lower mesh sized supplies are trading at or near the lower end of the range. As a substitute to whey and permeate, lactose trade into the feed industry is good. Inquiries are noted from domestic confectionary and blending operations and some export markets. Traders report the market as slow. Canadian buyers are reportedly bidding at the lower end of the range with producers expressing resistance to these prices. Production is mostly steady. Feed lactose is available for the light to fair interest.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1575 - .2100 MOSTLY: .1600 - .1900

CASEIN - NATIONAL

Casein markets and prices remain firm. Stocks are in very close balance to short of full needs with acid casein being very limited. Suppliers are negotiating second quarter contracts with prices reported as being higher. Suppliers continue to indicate that supplies will probably remain limited as the European production season begins and the Oceania season winds down. European suppliers indicate that casein prices in Europe are stronger than U.S. prices, thus some European suppliers are questioning continuing their current level of participation in the U.S. market.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.0000 - 3.3000
ACID: 3.0000 - 3.3000

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production patterns are about steady. Surplus milk supplies are often lighter and producers have adjusted output accordingly. The market continues to be highly competitive as producers try to gain or maintain market share. Demand is slow to fair and typical for this time of year. Producer stocks are light.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	01/19	01/20	01/21	01/24	01/25	01/26	01/27	01/28	01/31	02/01
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
JAN 05	14.08 (3071) 58	14.10 (3069) 132	14.10 (3059) 23	14.14 (3063) 27	14.14 (3056) 5	14.14 (3054) 10	14.14 (3052) 19	14.15 (3053) 11	14.21 (3053) 0	14.21 (3053) 0
FEB 05	16.20 (4082) 519	16.05 (4163) 403	16.05 (4259) 447	15.92 (4205) 228	15.88 (4122) 426	15.30 (4115) 341	15.35 (4130) 268	15.74 (4159) 167	15.48 (4141) 660	15.15 (4177) 564
MAR 05	15.92 (3779) 588	15.85 (3921) 557	15.65 (3820) 348	15.20 (4008) 351	15.10 (3874) 517	14.35 (3910) 707	14.13 (3917) 526	14.69 (3842) 231	14.46 (3832) 598	13.93 (3836) 657
APR 05	15.50 (2866) 274	15.28 (2902) 244	14.78 (2839) 246	14.50 (2829) 88	14.18 (2832) 143	13.84 (2745) 198	13.70 (2794) 194	14.27 (2848) 174	14.14 (2921) 315	13.92 (2874) 202
MAY 05	14.50 (2307) 152	14.59 (2285) 93	14.30 (2269) 77	13.90 (2254) 37	13.80 (2264) 51	13.75 (2301) 92	13.50 (2326) 145	13.85 (2292) 94	13.84 (2344) 116	13.82 (2362) 72
JUN 05	14.00 (1869) 94	14.01 (1880) 27	14.00 (1896) 62	13.80 (1884) 22	13.58 (1897) 75	13.53 (1912) 61	13.34 (1913) 77	13.70 (1917) 25	13.69 (1945) 32	13.64 (1933) 48
JUL 05	14.05 (1678) 71	14.10 (1681) 28	14.10 (1666) 52	13.95 (1667) 32	13.95 (1689) 26	13.90 (1683) 23	13.90 (1717) 50	14.10 (1718) 8	14.09 (1735) 20	14.05 (1758) 56
AUG 05	14.10 (1676) 69	14.10 (1684) 21	14.05 (1694) 13	14.00 (1693) 46	14.00 (1710) 27	14.00 (1708) 26	13.99 (1743) 57	14.15 (1749) 14	14.14 (1765) 17	14.15 (1796) 42
SEP 05	14.20 (1680) 75	14.15 (1692) 27	14.15 (1700) 17	14.10 (1699) 43	14.10 (1721) 35	14.10 (1808) 122	14.10 (1809) 106	14.20 (1813) 10	14.19 (1775) 62	14.09 (1800) 106
OCT 05	13.66 (1099) 57	13.60 (1124) 34	13.63 (1124) 2	13.50 (1146) 39	13.50 (1146) 8	13.45 (1154) 25	13.45 (1179) 38	13.50 (1189) 19	13.63 (1200) 46	13.60 (1205) 25
NOV 05	13.00 (703) 12	13.05 (732) 37	13.05 (732) 3	12.91 (757) 37	12.91 (757) 1	12.91 (757) 19	12.91 (770) 27	12.91 (786) 28	13.01 (807) 39	13.00 (814) 15
DEC 05	12.75 (708) 16	12.80 (741) 36	12.85 (732) 10	12.70 (767) 37	12.70 (767) 0	12.70 (767) 15	12.70 (783) 26	12.70 (807) 34	12.80 (832) 48	12.75 (838) 19
JAN 06	12.50 (35) 1	12.50 (35) 3	12.50 (35) 0	12.50 (35) 0	12.50 (35) 0	12.50 (41) 19	12.55 (59) 22	12.60 (62) 3	12.60 (62) 2	12.60 (62) 0
FEB 06	12.50 (18) 2	12.50 (18) 1	12.50 (18) 0	12.50 (18) 0	12.50 (18) 0	12.50 (34) 16	12.55 (45) 27	12.60 (46) 2	12.60 (47) 1	12.60 (47) 0
MAR 06	12.50 (18) 2	12.50 (18) 1	12.50 (18) 0	12.50 (18) 0	12.50 (18) 0	12.50 (31) 16	12.55 (37) 22	12.60 (38) 2	12.60 (39) 1	12.60 (39) 0
APR 06	12.40 (14) 2	12.40 (14) 1	12.40 (14) 0	12.40 (14) 0	12.40 (14) 0	12.40 (26) 15	12.45 (29) 18	12.50 (32) 3	12.50 (32) 1	12.50 (32) 0
MAY 06	12.40 (6) 2	12.40 (6) 1	12.40 (6) 0	12.40 (6) 0	12.40 (6) 0	12.40 (21) 15	12.45 (25) 20	12.50 (26) 2	12.50 (26) 0	12.50 (26) 0
JUN 06	12.40 (4) 0	12.40 (5) 2	12.40 (5) 0	12.40 (5) 0	12.40 (5) 0	12.40 (20) 15	12.45 (21) 16	12.50 (22) 2	12.50 (22) 0	12.50 (22) 0
JUL 06	12.60 (3) 0	12.60 (3) 0	12.60 (3) 0	12.60 (3) 0	12.60 (3) 0	12.60 (3) 0	12.70 (3) 0	12.80 (4) 2	12.90 (4) 0	12.90 (12) 10

CME - (CLASS IV) MILK FUTURES - Dollars per cwt.

JAN 05	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0
FEB 05	12.50 (9) 0	12.50 (9) 0	12.50 (9) 0	12.50 (9) 0	12.50 (9) 0	12.50 (9) 0	12.50 (9) 0	12.50 (9) 0	12.50 (9) 0	12.50 (9) 0
MAR 05	12.50 (7) 0	12.50 (7) 0	12.50 (7) 0	12.50 (7) 0	12.50 (7) 0	12.50 (7) 0	12.50 (7) 0	12.50 (7) 0	12.50 (7) 0	12.50 (7) 0
APR 05	12.25 (7) 0	12.25 (7) 0	12.25 (7) 0	12.25 (7) 0	12.25 (7) 0	12.25 (7) 0	12.25 (7) 0	12.25 (7) 0	12.25 (7) 0	12.25 (8) 1
MAY 05	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0
JUN 05	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0
SEP 05	12.25 (1) 0	12.25 (1) 0	12.25 (1) 0	12.25 (1) 0	12.25 (1) 0	12.25 (1) 0	12.25 (1) 0	12.25 (1) 0	12.25 (1) 0	12.25 (1) 0
OCT 05	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0
NOV 05	12.25 (6) 0	12.25 (6) 0	12.25 (6) 0	12.25 (6) 0	12.25 (6) 0	12.25 (6) 0	12.25 (6) 0	12.25 (6) 0	12.25 (6) 0	12.25 (6) 0

CME - BUTTER FUTURES -- Cents per pound

MAR 05	161.25 (236) 0	159.75 (233) 10	156.50 (227) 8	156.50 (230) 12	156.75 (234) 12	157.00 (234) 4	156.50 (223) 10	158.00 (235) 17	161.00 (236) 11	164.75 (255) 18
MAY 05	159.00 (143) 2	158.00 (145) 2	158.00 (145) 0	158.00 (146) 3	160.00 (150) 4	160.00 (152) 2	160.00 (158) 8	160.75 (165) 8	162.00 (166) 5	164.00 (167) 2
JUL 05	160.00 (82) 3	159.00 (92) 11	161.00 (100) 9	160.00 (101) 2	161.00 (107) 7	160.75 (111) 4	161.00 (116) 5	162.00 (121) 5	163.00 (123) 6	165.00 (123) 0
SEP 05	160.00 (42) 2	159.00 (44) 2	160.00 (46) 2	160.00 (47) 1	161.00 (54) 7	162.00 (58) 4	163.00 (60) 3	164.00 (65) 7	164.75 (65) 6	167.25 (65) 0
OCT 05	161.00 (20) 2	160.00 (22) 3	161.00 (24) 2	160.00 (24) 0	160.00 (26) 2	160.00 (27) 1	163.00 (27) 0	163.00 (27) 0	163.00 (27) 0	163.00 (31) 4

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered January 24 - February 4, 2005

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

WESTERN EUROPEAN OVERVIEW: Milk producers in Europe are monitoring their milk marketings as the March 31 quota year end nears. Reports indicate that overall milk output is trailing last season, thus producers will not need to make as many adjustments as in recent years. Producers in France and the Netherlands are narrowing the gap and will basically finish the year at or very near quota volumes. Although milk output is lighter than last year at this time, some milk handlers are preparing skim milk powder for intervention offering March 1. Most handlers and traders feel that offerings to intervention during the open season will occur, but anticipate maximum levels to not be attained. Stocks of manufactured dairy products within Europe are reported to be available for domestic and international buyer interest. Traders indicate that buyers are starting to return to the market, but finalized contracts are still minimal. For the most part, buyers remain very cautious and are hesitant to commit to traders in hopes of further price declines. Most traders and handlers state that prices have weakened, but also indicate that they do not foresee much further weakness. Prices for skim milk powder and butter are very near intervention equivalents already, thus they do not know why they would decline further. Traders and handlers feel that lower prices and a stable Euro around 130 should encourage buyers to resume their buying patterns.

BUTTER/BUTTEROIL: European butter markets are unsettled with prices unchanged to lower. Churning activity remains seasonally light, although the new milk production season is starting to show signs of increases. Stocks of butter are limited, but sufficient to acknowledge most domestic orders. International buyers remain absent from the marketplace at this time, but traders and handlers feel that butter demand for both domestic and international needs will be active during upcoming months.

82% BUTTERFAT:	1,900 - 2,050
99% BUTTERFAT:	2,050 - 2,375

SKIM MILK POWDER (SMP): European skim milk powder markets are weak with prices unchanged to lower. Prices are nearing intervention equivalent levels, thus many traders and handlers feel that further price declines will be minimal, if at all. Traders state that buyers are returning to the market, but finalized sales remain limited. Buyers are shopping for the best price and are hesitant to commit as of yet. Stocks of powder are available. On March 1, intervention opens once again and surplus powder can clear to this program. Starting in early February, powder for offering into intervention can start to be produced. Some powder is being readied, but producers and handlers feel that offerings during the upcoming open season will not attain maximum levels of 109,000 MT.

1.25% BUTTERFAT:	2,100 - 2,250
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WHOLE MILK POWDER (WMP): whole milk powder markets are steady to weak. Prices are unchanged to lower. Traders and handlers feel that prices are nearing the bottom of the current weakening trend. International buyers are returning to the marketplace, but significant orders are still not developing. Traders feel that buyers are holding off placing orders in hopes of further price decline. Stocks of whole milk powder are not excessive, but available for immediate domestic and international buyer needs. New buyer interest is basically for second quarter delivery.

26% BUTTERFAT:	2,175 - 2,275
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SWEET WHEY POWDER: Whey powder markets are weaker as prices edge lower. Cheese demand remains quite strong, thus when possible, milk volumes are clearing through cheese factories. Heavier cheese output generates additional whey volumes. Stocks are available. At this point, whey demand continues to center around internal or domestic needs due to prices being higher than desired by potential international buyers. European traders and handlers feel if European prices continue to weaken, they will come more in line with what international buyers are currently or will be willing to pay.

NONHYGROSCOPIC:	550 - 650
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EASTERN EUROPEAN OVERVIEW: Eastern European milk production patterns remain low, although indications of seasonal increases are occurring in more areas. Winter weather conditions have been and remain typical for this region which is not hindering production growth patterns. Stocks of manufactured dairy products are available, but are lighter than in years past.

OCEANIA

OCEANIA OVERVIEW: Milk production trends in Oceania continue to decline seasonally. A recent report indicated that milk volumes were down as much as 5% in New Zealand for the first half of the season. Cooler temperatures and poor weather conditions are being attributed to the decline in milk production. In Australia, milk production for the period July through November was down 1.2% on a cumulative basis. Some milk handlers and producers were surprised at this decline, with many of them feeling that the decline would not have been this much. A significant portion of this decline occurred in November when milk volumes were down 3.5% when compared to last November. Australian's anticipate that December reports will be more positive and cumulative production will be in closer balance with last season. As milk production reports indicate lighter volumes, milk handlers continue to report that dairy product production is also down on last season, but traders and handlers are optimistic about fulfilling their commitments. Stocks of product are in very close balance and often short of full needs. Handlers and traders state that with their supply/management agreements with other sources throughout the world, they should be able to fully acknowledge their commitments. Some traders and handlers are already looking to the new production season which will resume in August/September with more optimism. For some, the past few years have not been as positive as they would have desired, although they remain optimistic about the dairy industry in Oceania.

BUTTER: Oceania butter markets and prices remain firm. No significant changes have occurred within this market during the past few weeks. Stocks of butter remain limited. In most instances, traders and handlers are meeting customer needs, but have no additional volumes available for spot buyers at this time.

82% BUTTERFAT:	1,975 - 2,400
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CHEDDAR CHEESE: Cheese markets and prices remain firm. Sales activity continues to center around regular and ongoing customer needs. Most buyers are getting their contracted volumes as scheduled, although stocks are basically committed to this need with minimal volumes, if any at all, available for additional buyer interest. As with most other Oceania manufactured stocks, producers and handlers are delaying any new buyer interest until later in the production season when some stocks might be available.

39% MAXIMUM MOISTURE:	2,650 - 2,900
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SKIM MILK POWDER (SMP): Skim milk powder markets and prices are generally unchanged. Although prices are lower and weakening in other parts of the world, many Oceania handlers and traders feel that their prices will hold steady. Stocks of powder are in close balance with demand. Producers and handlers remain optimistic that they will be able to fully acknowledge their contract commitments as the production season edges lower.

1.25% BUTTERFAT:	2,150 - 2,300
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WHOLE MILK POWDER (WMP): Milk production is declining seasonally in Oceania, thus whole milk powder output is also on the down side. Prices and the market tone remain steady. Stocks of whole milk powder are often reported to be short of full needs, although suppliers remain confident that they will be able to fulfill their commitments by the end of the current production season.

26% BUTTERFAT:	2,150 - 2,400
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Exchange rates for selected foreign currencies: January 31, 2004

.8056 Canadian Dollar	.0229 Indian Rupee
.3423 Argentina Peso	.7104 New Zealand Dollar
.0894 Mexican Peso	.7751 Australian Dollar
.3207 Polish Zloty	.0096 Japanese Yen
	1.3035 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0894)= 11.1857
That is 1 US Dollar equals 11.1857 Mexican Pesos.

Source: "Wall Street Journal"

EASTERN OVERVIEW CONTINUED: International buyer interest is returning to the region, although not significant at this time. Traders and handlers feel that as prices stabilize and new stocks become available, sales activity will resume as the spring unfolds.

MONTHLY SUMMARY AND AVERAGES FOR JANUARY 2005 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	REPORT NUMBER 1	REPORT NUMBER 2	REPORT NUMBER 3	REPORT NUMBER 4	REPORT NUMBER 5	2005	2004
	-----	-----	-----	-----	-----	Average	Average
	JAN 03 - 07	JAN 10 - 14	JAN 17 - 21	JAN 24 - 28	JAN 31	or Total	or Total
CHEESE							
WISCONSIN (WSP, Delivered, LTL)							
-- Process American 5# Loaf	:: 1.6300 - 2.2000	:: 1.6300 - 2.0500	:: 1.6875 - 2.0500	:: 1.8475 - 2.0525	:: 1.8900 - 2.0950	:: 1.8996	:: 1.5959
-- Brick And/Or Muenster 5#	:: 2.1375 - 2.1800	:: 2.0300 - 2.1400	:: 2.0300 - 2.2225	:: 2.0300 - 2.2550	:: 2.0300 - 2.3025	:: 2.1301	:: 1.8663
-- Cheddar 40# Block	:: 1.8375 - 2.2650	:: 1.8400 - 2.2650	:: 1.9225 - 2.2650	:: 1.9300 - 2.2650	:: 1.9300 - 2.2650	:: 2.0739	:: 1.8865
-- Monterey Jack 10#	:: 2.0775 - 2.2650	:: 2.0800 - 2.2650	:: 2.1000 - 2.2650	:: 2.1000 - 2.2950	:: 2.1000 - 2.3425	:: 2.1829	:: 1.9793
-- Blue 5#	:: 2.3325 - 2.9000	:: 2.3350 - 2.7500	:: 2.4175 - 2.7500	:: 2.5500 - 2.7500	:: 2.5975 - 2.7500	:: 2.6026	:: 2.2685
-- Mozzarella 5 - 6#	:: 1.7825 - 2.3650	:: 1.7850 - 2.3650	:: 1.8675 - 2.3650	:: 1.9400 - 2.3650	:: 1.9400 - 2.3650	:: 2.1062	:: 1.9083
-- Grade A Swiss Cuts 6 - 9#	:: 2.2500 - 2.9500	:: 2.2500 - 2.9500	:: 2.2500 - 2.9500	:: 2.3500 - 2.9500	:: 2.3500 - 2.9500	:: 2.6150	:: 2.3425
NORTHEAST (WSP, Delivered, LTL)							
-- Cheddar 10# Prints	:: 1.5500 - 2.0650	:: 1.5525 - 2.0675	:: 1.6350 - 2.1500	:: 1.7675 - 2.2825	:: 1.8150 - 2.3300	:: 1.8928	:: 1.6225
-- Cheddar Single Daisies	:: 1.5075 - 1.9825	:: 1.5100 - 1.9850	:: 1.5925 - 2.0675	:: 1.7250 - 2.2000	:: 1.7725 - 2.2475	:: 1.8303	:: 1.5600
-- Cheddar 40# Block	:: 1.6250 - 1.8825	:: 1.6275 - 1.8850	:: 1.7100 - 1.9675	:: 1.8400 - 2.1000	:: 1.8900 - 2.1475	:: 1.8387	:: 1.5679
-- Process 5# Loaf	:: 1.6600 - 1.8675	:: 1.6600 - 1.8675	:: 1.7175 - 1.9250	:: 1.8775 - 2.0850	:: 1.9200 - 2.1275	:: 1.8426	:: 1.5593
-- Process 5# Sliced	:: 1.6800 - 1.9325	:: 1.6800 - 1.9325	:: 1.7375 - 1.9900	:: 1.8975 - 2.1200	:: 1.9400 - 2.1625	:: 1.8806	:: 1.5973
-- Muenster	:: 1.7225 - 1.9250	:: 1.7250 - 1.9275	:: 1.8075 - 2.0100	:: 1.9400 - 2.1425	:: 1.9875 - 2.1900	:: 1.9090	:: 1.6375
-- Grade A Swiss Cuts 10 - 14#	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.5500	:: 2.4500
WEST COAST (WSP, Delivered, LTL)							
-- Process 5# Loaf	:: 1.6025 - 1.8625	:: 1.6025 - 1.8625	:: 1.6625 - 1.9200	:: 1.8225 - 2.0800	:: 1.8650 - 2.1225	:: 1.8120	:: 1.5268
-- Cheddar 40# Block	:: 1.6050 - 1.9575	:: 1.6050 - 1.9575	:: 1.6900 - 2.0425	:: 1.8225 - 2.1750	:: 1.8700 - 2.2225	:: 1.8659	:: 1.6078
-- Cheddar 10# Cuts	:: 1.7850 - 2.0050	:: 1.7850 - 2.0050	:: 1.8700 - 2.0900	:: 2.0025 - 2.2225	:: 2.0500 - 2.2700	:: 1.9796	:: 1.7228
-- Monterey Jack 10#	:: 1.7950 - 1.9550	:: 1.7950 - 1.9550	:: 1.8800 - 2.0400	:: 2.0125 - 2.1725	:: 2.0600 - 2.2200	:: 1.9596	:: 1.7028
-- Grade A Swiss Cuts 6 - 9#	:: 2.2500 - 2.7000	:: 2.2500 - 2.7000	:: 2.2500 - 2.7000	:: 2.2500 - 2.7000	:: 2.2500 - 2.7000	:: 2.4750	:: 2.3550
FLUID PRODUCTS							
SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)							
-- Northeast - f.o.b	:: 1.7681 - 1.9988	:: 1.9297 - 2.0878	:: 1.8969 - 2.0576	:: 1.7388 - 1.9872	:: 1.7845 - 1.9862	:: 1.9285	:: 1.7199
-- Atlanta - divd. equiv.	:: 1.7835 - 2.0141	:: 1.9613 - 2.1195	:: 1.9451 - 2.0898	:: 1.7854 - 2.0648	:: 1.7845 - 2.0482	:: 1.9654	:: 1.7511
-- Upper Midwest - f.o.b	:: 1.8604 - 2.0910	:: 1.9771 - 2.1353	:: 1.8969 - 2.1701	:: 1.8320 - 1.9562	:: 1.9086 - 2.0172	:: 1.9863	:: 1.8110
PRICES OF CONDENSED SKIM - NORTHEAST (\$ per lb. wet solids) - f.o.b.							
-- Class II	:: 0.9800 - 1.0000	:: 0.9800 - 1.0000	:: 0.9800 - 1.0000	:: 0.9800 - 1.0000	:: 0.9800 - 1.0000	:: 0.9900	:: 0.9000
-- Class III	:: 1.0700 - 1.2000	:: 1.0600 - 1.1400	:: 1.0600 - 1.1400	:: 1.0600 - 1.1400	:: 1.0900 - 1.2500	:: 1.1123	:: 0.9748
NATIONAL EVAPORATED MILK (\$ per Case)							
(Case - 48 - 12 fluid oz cans)							
-- Delivered Major U.S. Cities	:: 22.0000 - 30.0000	:: 22.0000 - 30.0000	:: 22.0000 - 30.0000	:: 22.0000 - 30.0000	:: 22.0000 - 30.0000	:: 26.0000	:: 24.5000

MONTHLY SUMMARY AND AVERAGES FOR JANUARY 2005 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	REPORT NUMBER 1	REPORT NUMBER 2	REPORT NUMBER 3	REPORT NUMBER 4	REPORT NUMBER 5	2005	2004
	JAN 03 - 07	JAN 10 - 14	JAN 17 - 21	JAN 24 - 28	JAN 31	Average	Average
						or Total	or Total
DRY PRODUCTS							
NONFAT DRY MILK							
-- Central And East (f.o.b.)							
-- Low/Medium Heat	:: 0.8750 - 0.9450	:: 0.8800 - 0.9550	:: 0.8975 - 0.9550	:: 0.9000 - 0.9550	:: 0.9075 - 0.9650	:: 0.9208	:: 0.8366
-- Mostly	:: 0.8800 - 0.9000	:: 0.8900 - 0.9025	:: 0.8975 - 0.9075	:: 0.9000 - 0.9150	:: 0.9075 - 0.9300	:: 0.8999	:: 0.8361
-- High Heat	:: 0.9325 - 1.0300	:: 0.9375 - 1.0400	:: 0.9400 - 1.0400	:: 0.9450 - 1.0400	:: 0.9450 - 1.0500	:: 0.9885	:: 0.8975
-- West (f.o.b.)							
-- Low/Medium Heat	:: 0.8700 - 0.9300	:: 0.8700 - 0.9300	:: 0.8800 - 0.9300	:: 0.8900 - 0.9300	:: 0.8900 - 0.9400	:: 0.9043	:: 0.8388
-- Mostly	:: 0.8800 - 0.9000	:: 0.8850 - 0.9000	:: 0.8850 - 0.9000	:: 0.8950 - 0.9050	:: 0.8950 - 0.9200	:: 0.8945	:: 0.8034
-- High Heat	:: 0.8900 - 0.9225	:: 0.9000 - 0.9300	:: 0.9000 - 0.9300	:: 0.9100 - 0.9600	:: 0.9200 - 0.9700	:: 0.9193	:: 0.8417
WHEY POWDER (Nonhygroscopic)							
-- Central (f.o.b.)	:: 0.2400 - 0.2475	:: 0.2400 - 0.2500	:: 0.2400 - 0.2500	:: 0.2400 - 0.2500	:: 0.2400 - 0.2500	:: 0.2447	:: 0.1786
-- Mostly	:: 0.2400 - 0.2450	:: 0.2400 - 0.2450	:: 0.2400 - 0.2450	:: 0.2400 - 0.2450	:: 0.2400 - 0.2450	:: 0.2425	:: 0.1806
-- West (f.o.b.)	:: 0.2425 - 0.2750	:: 0.2450 - 0.2750	:: 0.2450 - 0.2750	:: 0.2450 - 0.2750	:: 0.2450 - 0.2750	:: 0.2597	:: 0.1793
-- Mostly	:: 0.2550 - 0.2625	:: 0.2550 - 0.2650	:: 0.2550 - 0.2650	:: 0.2550 - 0.2650	:: 0.2550 - 0.2650	:: 0.2597	:: 0.1686
-- Northeast (f.o.b.)	:: 0.2475 - 0.2650	:: 0.2475 - 0.2650	:: 0.2475 - 0.2650	:: 0.2475 - 0.2650	:: 0.2475 - 0.2650	:: 0.2563	:: 0.1974
-- Southeast (Delvd)	:: 0.2700 - 0.2825	:: 0.2700 - 0.2825	:: 0.2700 - 0.2825	:: 0.2700 - 0.2825	:: 0.2700 - 0.2825	:: 0.2763	:: 0.2114
WHEY PROTEIN CONCENTRATE							
-- Central And West (f.o.b.)							
-- Extra Grade 34% Protein	:: 0.6525 - 0.7400	:: 0.6600 - 0.7500	:: 0.6600 - 0.7500	:: 0.7050 - 0.7500	:: 0.7200 - 0.7600	:: 0.7102	:: 0.5264
-- Mostly	:: 0.6575 - 0.7000	:: 0.6800 - 0.7300	:: 0.6800 - 0.7300	:: 0.7050 - 0.7300	:: 0.7300 - 0.7500	:: 0.7033	:: 0.5311
ANIMAL FEED - WHEY							
-- Central (f.o.b.)							
-- Milk Replacer	:: 0.2000 - 0.2200	:: 0.2000 - 0.2200	:: 0.2000 - 0.2200	:: 0.2000 - 0.2200	:: 0.2000 - 0.2200	:: 0.2100	:: 0.1685
BUTTERMILK (Min. 30% protein)							
-- Central (f.o.b.)	:: 0.8750 - 0.9550	:: 0.8750 - 0.9550	:: 0.8750 - 0.9550	:: 0.9050 - 0.9550	:: 0.9200 - 0.9700	:: 0.9203	:: 0.9737
-- West (f.o.b.)	:: 0.8800 - 0.9400	:: 0.8850 - 0.9400	:: 0.8900 - 0.9400	:: 0.8800 - 0.9400	:: 0.8800 - 0.9400	:: 0.9116	:: 0.8673
-- Mostly	:: 0.9000 - 0.9100	:: 0.9000 - 0.9100	:: 0.9000 - 0.9100	:: 0.9000 - 0.9100	:: 0.9000 - 0.9200	:: 0.9053	:: 0.8600
-- Northeast (f.o.b.)	:: 0.9200 - 0.9400	:: 0.9200 - 0.9400	:: 0.9200 - 0.9400	:: 0.9200 - 0.9400	:: 0.9100 - 0.9400	:: 0.9298	:: 0.8564
-- Southeast (Delvd)	:: 0.9500 - 0.9800	:: 0.9500 - 0.9800	:: 0.9500 - 0.9800	:: 0.9500 - 0.9800	:: 0.9500 - 0.9800	:: 0.9650	:: 0.8900
WHOLE MILK POWDER							
-- National (f.o.b.)	:: 1.3050 - 1.3500	:: 1.3200 - 1.4100	:: 1.2800 - 1.4100	:: 1.2800 - 1.4100	:: 1.2800 - 1.4100	:: 1.3456	:: 1.1574
LACTOSE							
-- Central And West (f.o.b.)	:: 0.1500 - 0.2100	:: 0.1550 - 0.2100	:: 0.1550 - 0.2100	:: 0.1575 - 0.2100	:: 0.1575 - 0.2100	:: 0.1823	:: 0.2400
-- Mostly	:: 0.1600 - 0.1900	:: 0.1600 - 0.1900	:: 0.1600 - 0.1900	:: 0.1600 - 0.1900	:: 0.1600 - 0.1900	:: 0.1750	:: 0.2250
CASEIN - Edible - National (f.o.b.)							
-- Nonrestricted - Rennet	:: 3.0000 - 3.3000	:: 3.0000 - 3.3000	:: 3.0000 - 3.3000	:: 3.0000 - 3.3000	:: 3.0000 - 3.3000	:: 3.1500	:: 2.2538
-- Nonrestricted - Acid	:: 3.0000 - 3.3000	:: 3.0000 - 3.3000	:: 3.0000 - 3.3000	:: 3.0000 - 3.3000	:: 3.0000 - 3.3000	:: 3.1500	:: 2.2775

1/ Prices for all products are issued once a week and represent a value for the entire week. Monthly averages are based on weekly prices and are time-weighted according to the number of workdays in the month - Saturdays, Sundays and National Holidays excluded. No monthly average is computed if one or more weekly prices are missing.

CHICAGO MERCANTILE EXCHANGE AVERAGES FOR JANUARY 2005

COMMODITY	::REPORT NUMBER 1	::REPORT NUMBER 2	::REPORT NUMBER 3	::REPORT NUMBER 4	::REPORT NUMBER 5	:: 2005 *	: 2004 *
	::-----	::-----	::-----	::-----	::-----	:: Monthly	: Monthly
	:: JAN 3 - 7	:: JAN 10 - 14	:: JAN 18 - 21	:: JAN 24 - 28	:: JAN 31	:: Average	: Average
BUTTER*							
-- GRADE AA							
--Monday	:: 1.5800	:: 1.5850	:: #	:: 1.5500	:: 1.6025	::	:
--Tuesday	::	::	::	::	::	::	:
--Wednesday	:: 1.5800	:: 1.6050	:: 1.5500	:: 1.5500	::	::	:
--Thursday	::	::	::	::	::	::	:
--Friday	:: 1.5850	:: 1.6325	:: 1.5550	:: 1.5550	::	:: 1.5775	: 1.4320
--Weekly Average**	:: 1.5817	:: 1.6075	:: 1.5525	:: 1.5517	::	::	:
CHEESE*							
-- BARRELS							
--Monday	:: 1.4500	:: 1.4575	:: #	:: 1.7250	:: 1.6900	::	:
--Tuesday	:: 1.4500	:: 1.4675	:: 1.6000	:: 1.7250	::	::	:
--Wednesday	:: 1.4500	:: 1.4825	:: 1.6600	:: 1.7225	::	::	:
--Thursday	:: 1.4500	:: 1.5325	:: 1.6850	:: 1.6900	::	::	:
--Friday	:: 1.4500	:: 1.6000	:: 1.7250	:: 1.6900	::	:: 1.5851	: 1.2539
--Weekly Average**	:: 1.4500	:: 1.5080	:: 1.6675	:: 1.7105	::	::	:
-- 40# BLOCKS							
--Monday	:: 1.4850	:: 1.5075	:: #	:: 1.7575	:: 1.7150	::	:
--Tuesday	:: 1.4850	:: 1.5250	:: 1.6300	:: 1.7575	::	::	:
--Wednesday	:: 1.4850	:: 1.5500	:: 1.6950	:: 1.7575	::	::	:
--Thursday	:: 1.4850	:: 1.6300	:: 1.7200	:: 1.7575	::	::	:
--Friday	:: 1.4925	:: 1.6300	:: 1.7575	:: 1.7150	::	:: 1.6269	: 1.3062
--Weekly Average**	:: 1.4865	:: 1.5685	:: 1.7006	:: 1.7490	::	::	:
NONFAT DRY MILK*							
-- EXTRA GRADE							
--Monday	:: 0.8600	:: 0.8900	:: #	:: 0.9250	:: 0.9325	::	:
--Tuesday	:: 0.8600	:: 0.8900	:: 0.8900	:: 0.9300	::	::	:
--Wednesday	:: 0.8600	:: 0.8900	:: 0.9200	:: 0.9325	::	::	:
--Thursday	:: 0.8600	:: 0.8900	:: 0.9250	:: 0.9325	::	::	:
--Friday	:: 0.8900	:: 0.8900	:: 0.9250	:: 0.9325	::	:: 0.9013	: 0.8400
--Weekly Average**	:: 0.8660	:: 0.8900	:: 0.9150	:: 0.9305	::	::	:
-- GRADE A							
--Monday	:: 0.8600	:: 0.8900	:: #	:: 0.9375	:: 0.9525	::	:
--Tuesday	:: 0.8600	:: 0.8900	:: 0.8900	:: 0.9425	::	::	:
--Wednesday	:: 0.8600	:: 0.8900	:: 0.9250	:: 0.9525	::	::	:
--Thursday	:: 0.8600	:: 0.8900	:: 0.9375	:: 0.9525	::	::	:
--Friday	:: 0.8900	:: 0.8900	:: 0.9375	:: 0.9525	::	:: 0.9080	: 0.8400
--Weekly Average**	:: 0.8660	:: 0.8900	:: 0.9225	:: 0.9475	::	::	:

* Monthly averages are a simple average of all the closes during the month. Weekly and monthly averages are independent calculations.

** Weekly averages are simple averages of the closes during the calendar week and are for information purposes. Should the week be split between two months, the weekly average will appear in the monthly report in which the Friday close is reported.

No trading, the CME was closed for the observance of Martin Luther King Jr. birthday.

JANUARY 1 MILK COW INVENTORY SUMMARY

The number of milk cows in the United States as of January 1, 2005, totaled 9.01 million head, up slightly from January 1, 2004.

Milk cow replacement heifers totaled 4.13 million head, up 3 percent from January 1, 2004.

The number of milk cow replacement heifers per 100 milk cows on January 1, 2005 was 45.9, up from 44.7 on January 1, 2004.

Milk cow replacement heifers expected to calve during the year totaled 2.83 million head, up 3 percent from January 1, 2004.

MILK COW INVENTORY: Number by Class, January 1, 2004-2005

State	Milk Cows that Have Calved		Heifers for Milk Cow Replacement		State	Milk Cows that Have Calved		Heifers for Milk Cow Replacement	
	2004	2005	2004	2005		2004	2005	2004	2005
	1,000 Head					1,000 Head			
AL	18	16	7	7	NE	62	61	20	20
AK	1.2	1.2	0.5	0.5	NV	25	25	10	10
AZ	155	165	37	42	NH	16	16	8	9
AR	28	26	10	10	NJ	12	12	6	6
CA	1,700	1,740	730	760	NM	325	318	75	100
CO	98	101	45	50	NY	658	650	300	305
CT	21	20	10.5	11	NC	58	55	27	25
DE	8	8	2.8	2.5	ND	33	33	14	18
FL	140	138	40	40	OH	258	266	115	125
GA	84	84	26	24	OK	80	75	20	15
HI	6	5.7	2	2	OR	117	120	70	60
ID	412	435	180	240	PA	564	566	280	275
IL	108	105	52	55	RI	1.3	1.1	0.7	0.8
IN	143	155	55	56	SC	17	18	7	7
IA	196	187	95	100	SD	79	80	35	40
KS	110	110	80	45	TN	77	72	35	40
KY	112	110	40	45	TX	317	318	110	130
LA	41	36	10	9	UT	89	88	40	45
ME	34	33	18.5	19	VT	146	143	67	58
MD	77	73	30	32	VA	105	105	38	43
MA	18	17	9	8.5	WA	240	235	95	102
MI	300	307	130	125	WV	14	13	4	4
MN	465	460	280	270	WI	1,245	1,235	670	650
MS	29	26	12	15	WY	4	4	3	3
MO	125	119	60	65					
MT	18	18	8	9	U.S.	8,990	9,005	4,020	4,133

SOURCE: "Cattle," Mt An 2 (1-05), USDA, Agricultural Statistics Board, National Agricultural Statistics Service.

JANUARY AGRICULTURAL PRICES HIGHLIGHTS

The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in January 2005 advanced 1 point to 134. Compared with January 2004, the index was up 4 points (3.1 percent). The index of prices received by farmers for dairy products declined 4 points during the month of January 2005 to 122. Compared with January 2004, the index was up 21 points (20.8 percent).

Prices received by farmers in January 2005 with changes from December 2004 were: for All Milk, \$15.90 per hundredweight (cwt.), down \$.50; for Fluid Grade Milk, \$15.90 per cwt., down \$.50; and for Manufacturing Grade Milk, \$14.70 per cwt., down \$1.30.

SELECTED MILK PRICES, COWS AND DAIRY FEED PRICES, SELECTED STATES AND U.S., JANUARY 2005 WITH COMPARISONS

STATE	All-milk price 1/ 3/				Milk cows 5/		Cows 6/		All hay baled 7/	
	Dollars per cwt.		Dollars per cwt.		Dollars per head		Dollars per cwt.		Dollars per ton	
	DECEMBER		JANUARY		JANUARY		JANUARY		JANUARY	
	2004	2003 2/	2005 4/	2004 2/	2005 4/	2004 2/	2005 7/	2004 8/	2005	2004
CA	14.72	12.37	14.40	11.80	1,600	1,350	47.50	42.00	114.00	88.00
ID	15.10	12.40	14.00	12.10	1,600	1,450	47.20	41.90	105.00	85.00
MI	16.80	14.00	16.30	13.30	1,700	1,450	49.00	45.00	104.00	96.00
MN	17.10	13.80	16.00	13.40	1,530	1,350	51.00	48.70	73.00	67.00
NM	15.50	13.40	15.40	12.60	1,740	1,360	51.30	49.10	120.00	135.00
NY	16.90	14.70	16.90	13.70	1,500	1,330	---	---	108.00	107.00
PA	18.00	15.90	17.90	14.90	1,600	1,350	49.60	46.80	127.00	134.00
TX	16.60	14.60	16.30	13.80	1,660	1,410	48.70	45.40	69.00	72.00
WA	16.10	13.40	15.90	13.20	1,650	1,420	---	---	107.00	89.00
WI	17.60	14.00	15.80	13.70	1,690	1,450	51.40	47.30	92.00	91.00
U.S.	16.40	13.80	15.90	13.20	1,620	1,390	50.00	46.10	84.20	80.10

1/ Prices are shown at reported butterfat test. 2/ Partially revised. 3/ Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies. 4/ Preliminary. 5/ Animals sold for dairy herd replacement only. 6/ Beef cows and cull dairy cows sold for slaughter. 7/ Mid-month price. 8/ Entire month.

MILK AND OTHER GENERAL PRICE MEASURES, U.S., JANUARY 2005 WITH COMPARISONS

ITEM	JANUARY 2004	DECEMBER 2004 1/	JANUARY 2005 2/
PRICES RECEIVED BY FARMERS , dol. per cwt., at reported butterfat test: 3/			
All milk	13.20	16.40	15.90
Fluid grade milk	13.20	16.40	15.90
Manufacturing grade milk	12.30	16.00	14.70
INDEX NUMBERS (1990-92=100):			
Prices received by farmers for all farm products	112	111	110
Prices received by farmers for dairy products	101	126	122
Prices paid by farmers for commodities and services, interest taxes, and wage rates	130	133	134
Prices paid by farmers for production items	127	130	131
Prices paid by farmers for feed	117	102	101
MILK FEED PRICE RATIO: Pounds of 16% Mixed Dairy Feed equal in value to one pound of milk 4/	2.70	3.66	3.63

1/ Partially revised. 2/ Preliminary. 3/ Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies. 4/ For this data series, the price of the commercial prepared feed is based on current U.S. prices received for corn, soybeans, and alfalfa hay and all wheat.

SOURCE: "Agricultural Prices," Pr 1 (1-05), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, ANNUAL

HIGHLIGHTS : Handler reports of receipts and utilization under the Federal milk order system for 2004 have been filed and tabulated. Combined totals for the 11 consolidated orders are being released. During 2004, about 103.0 billion pounds of milk were received from producers. This volume of milk is 4.1 percent lower than the 2003 volume on a comparable market basis. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -0.6 percent.) About 44.9 billion pounds of producer milk were used in Class I products, 0.5 percent lower than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2004 as compared to 2003. The all-market average Class utilization percentages were: Class I = 44%, Class II = 14%, Class III = 30%, and Class IV = 12%. The weighted average statistical uniform price was \$15.78 per cwt., \$3.61 higher than last year on a comparable market basis.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE YEAR 2004										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR <u>3/</u>	TOTAL	CHANGE FROM PREV. YEAR <u>3/</u>	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001 <u>4/</u>	22,669.9	-5.9	10,691.8	-0.4	47	20	23	10	16.46
Appalachian (Charlotte)	005 <u>4/</u>	6,202.5	-2.0	4,324.5	-2.9	70	15	5	10	17.00
Southeast (Atlanta)	007 <u>4/</u>	7,164.4	1.0	4,640.0	0.0	65	12	13	10	16.92
Florida (Tampa)	006 <u>4/</u>	2,873.0	1.1	2,439.6	0.9	85	9	3	3	18.39
Midwest (Cleveland)	033 <u>4/</u>	15,939.9	0.9	6,492.9	-1.1	41	17	37	5	15.33
Upper Midwest (Chicago)	030 <u>4/</u>	17,302.5	1.4	4,459.1	7.7	26	8	57	9	14.75
Central (Kansas City)	032 <u>4/</u>	11,589.4	-19.8	4,345.8	-8.3	37	13	38	12	15.06
Southwest (Dallas)	126 <u>4/</u>	8,790.8	-4.4	4,139.1	1.5	47	14	20	19	16.00
Arizona-Las Vegas (Phoenix)	131	2,901.2	-5.5	967.2	-1.2	33	9	37	21	15.51
Western (Salt Lake City)	135 <u>4/5/</u>	1,096.3	---	286.0	---	26	8	56	10	12.68
Pacific Northwest (Seattle)	124 <u>4/</u>	6,517.7	2.6	2,153.5	2.0	33	7	25	35	14.75
ALL MARKET AVERAGE OR TOTAL	<u>3/ 4/</u>	103,047.7	-4.1	44,939.5	-0.5	44	14	30	12	15.78

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Percentage changes from the previous year, class utilization percentages, and the all market price average are based on the same group of comparable markets—markets where the orders were in effect for both years. Excludes the Western Federal milk order; see 5/. Percent changes also have been adjusted for leap year.

4/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 17.4 billion pounds of milk in 2004 that normally would have been associated with these markets. In 2003, the estimated not-pooled volume of milk was 14.9 billion pounds occurring in Order Nos. 005, 007, 033, 030, 032, 126, 135, and 124. After adjusting for these not-pooled volumes, the year-to-year percent change is -0.6.

5/ Effective April 1, 2004, the order regulating the Western market area was terminated. Figures are for January-March.

ANNOUNCED COOPERATIVE CLASS I PRICES FOR SELECTED CITIES IN FEDERAL MILK ORDERS, 2004 ANNUAL AVERAGES, WITH COMPARISONS ^{1/}

For 2004, the all-city average announced cooperative Class I price was \$19.01 per cwt., \$1.50 higher than the Federal milk order Class I price average for these cities. Both annual averages of the announced cooperative Class I price and the difference from the Federal Order Class I price were record high levels. On an individual city basis, the annual average difference between the Federal order and announced cooperative Class I price ranged from \$.15 in Phoenix, AZ to \$2.81 in Milwaukee, WI. During the year, the all-city average announced cooperative Class I price ranged from \$15.58 in February to \$25.16 in June, a record high level. Compared to the monthly variation in the Federal order and announced cooperative Class I prices during 2004, the variation in the all-city average monthly difference between these prices was quite small, ranging from \$1.45 in March to \$1.58 in September. For some cities, there was little or no variation in the monthly differences; for other cities, the monthly variation was large, for example, \$.91 from the low to the high in several southern cities. For 2003, the all-city average announced cooperative Class I price was \$15.34, \$1.47 higher than the Federal order Class I price average for these cities.

City	Annual Averages		
	Announced Coop. Class I Price	Federal Order Class I Price	Difference
Dollars per hundredweight, 3.5% Butterfat			
Atlanta, GA	19.40	18.08	1.32
Baltimore, MD	19.76	17.98	1.78
Boston, MA	19.93	18.23	1.70
Charlotte, NC	19.40	18.08	1.32
Chicago, IL	19.57	16.78	2.79
Cincinnati, OH	18.93	17.18	1.75
Cleveland, OH	18.73	16.98	1.75
Dallas, TX	18.77	17.98	0.79
Denver, CO	18.38	17.53	0.85
Des Moines, IA	18.42	16.78	1.64
Detroit, MI	18.45	16.78	1.67
Hartford, CT	19.83	18.13	1.70
Houston, TX	19.37	18.58	0.79
Indianapolis, IN	18.73	16.98	1.75
Kansas City, MO	18.22	16.98	1.24
Louisville, KY	18.80	17.18	1.62
Memphis, TN	18.90	17.78	1.12
Miami, FL	21.67	19.28	2.39
Milwaukee, WI	19.54	16.73	2.81
Minneapolis, MN	19.23	16.68	2.55
New Orleans, LA	19.67	18.58	1.09
Oklahoma City, OK	18.42	17.58	0.84
Omaha, NE	18.23	16.83	1.40
Philadelphia, PA	19.85	18.03	1.82
Phoenix, AZ	17.48	17.33	0.15
Pittsburgh, PA	19.03	17.08	1.95
St. Louis, MO	18.46	16.98	1.48
Seattle, WA	17.30	16.88	0.42
Springfield, MO	18.02	17.18	0.84
Washington, DC	19.76	17.98	1.78
Simple Average	19.01	17.51	1.50

^{1/} These figures are simple averages of monthly prices. The cooperative prices are Class I prices announced for the beginning of the month by cooperative associations in various city markets. The information relates to the major cooperative in each of the city markets and does not apply to all of the Class I sales in these city markets. These data are common market knowledge in the sense that the information represents basic Class I price announcements by the cooperative sent to all handlers who buy milk from them. These announced over-order prices include charges for various services performed by the cooperative. Announced prices may not include handling or service charges applicable to milk from supply plants. In some instances, the announced over-order prices may not include all credits that may be allowed. These prices have not been verified as having been actually paid by handlers.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF JANUARY 31 - FEBRUARY 4			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/04	SAME PERIOD LAST YEAR	WEEK ENDING 01/28/05	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-42,309	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-42,309	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	31,817,269	197,704,073	-0-	862,500,000
Fortified	-0-	-0-	-0-	-0-	-119,048	-0-	46,391,000
TOTAL	-0-	-0-	-0-	31,817,269	197,585,025	-0-	908,891,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JANUARY 31-FEBRUARY 4, 2005 =	0.0	0.0	COMPARABLE PERIOD IN 2004 =	1.4	73.4
CUMULATIVE SINCE OCTOBER 1, 2004 =	7.0	370.4	CUMULATIVE SAME PERIOD LAST YEAR =	42.5	2,299.9
CUMULATIVE JAN. 1 - FEB. 4, 2005 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2004 =	17.0	950.6

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF JANUARY 31 - FEBRUARY 4, 2005 (POUNDS)

	BUTTER			CHEESE			NONFAT DRY MILK	
REGION	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/04 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
REGION	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
CENTRAL	-0-	-0-	-0-	-0-	1,331,567	4,369,311	4.2	2.3
WEST	-0-	-42,309	-0-	-0-	29,415,099	188,185,131	92.4	95.2
EAST	-0-	-0-	-0-	-0-	1,070,603	5,030,583	3.4	2.6
TOTAL	-0-	-42,309	-0-	-0-	31,817,269	197,585,025	100.0	100.0

NDM SELLBACK TO THE TRADE The cumulative sellback total for 2005 is 0 pounds.

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 01/15/05 & Comparable Week 2004

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1
2005-Dairy	0.0	0.8	7.4	3.3	22.3	3.9	1.3	0.9	15.7	3.1	58.8	153.6
2004-Dairy	1.0	0.8	7.2	5.8	19.9	3.1	0.6	1.1	14.8	3.6	56.9	141.0
2005-All cows	0.1	0.9	9.1	12.7	33.9	15.0	13.8	3.6	16.8	6.3	112.3	300.3
2004-All cows	0.1	0.9	9.7	12.9	33.2	18.5	16.4	3.2	15.9	7.4	118.2	306.7

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, the Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87

FEDERAL MILK ORDER CLASS PRICES FOR 2004 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN 2005	FEB 2005
I 1/	11.85	11.59	11.94	13.64	19.65	21.13	17.95	14.62	13.94	14.78	14.29	14.43	16.65	13.79
II	11.67	12.90	14.79	15.21	15.03	14.31	14.00	13.13	13.66	13.57	14.09	13.98	13.04	
III	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14	14.14	
IV	10.97	12.21	14.10	14.57	14.50	13.72	13.31	12.46	13.00	12.81	13.34	13.42	12.52	

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoms/mib/cis_prod_cmp_pr.htm